



District 12

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District Director

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Submitted by Electronic Posting
<http://www.arb.ca.gov/lispub/comm/bclist.php>

September 27, 2011

Clerk of the Board, Air Resources Board
1001 I Street
Sacramento, California 95814

Subject: United Steel Workers Comments on Proposed Modifications to the California Cap and Trade Regulations Released on September 12, 2011

The United Steel Workers (USW) and our members in the ten unionized California oil refineries who manufacture the majority of the fuels currently consumed in California are opposed to recent actions by CARB to speed up compliance with a California only Cap and Trade Program. Specifically, we are opposed to a Cap and Trade scenario for refining that does not recognize full trade exposure when granting allowances to trade exposed refining. Full trade exposure means 100% granting of allowances for all refineries in initial years, while companies have time to permit and build out their projects. These projects will enable refineries to secure high paying jobs while at the same time moving toward greener production methods. This is what USW has anticipated under AB32 and frankly is the cornerstone of our support for AB-32.

Since the passage of AB 32 in 2006, refineries have not had adequate time to make step changes in energy efficiency. Compliance will materialize as in-state investment in energy efficiency projects. Statewide energy improvements will not happen if leakage is at the center point of the program. The reduction in the Cap on greenhouse gases will drive carbon prices up, you don't need a big cash call in the first year of the program to meet the goals of AB 32.

The regulation for Cap and Trade is not yet finalized, as is evident in this rulemaking. Slow and steady is the way to proceed, not with a surprise "cash call" that would only extract money from 8 of the 15 facilities as demonstrated by Appendix A of the staff rulemaking. The 10% reduction of free allowances for some facilities is a tragic invitation for refiners to leave the state or increase imports therefore jeopardizing jobs. As Cap and Trade revisions are proposed, 8 facilities are required to pay fees reaching \$20 million per facility creating an unlevel playing field starting day one of this regulation.

As you know, USW has been a strong supporter of AB32 since its passage and worked actively to prevent its suspension in past elections. We continue to believe that AB 32's effective implementation will drive economic development in our state, create hundreds of new jobs and industries and secure markets for energy-intensive products manufacturing in our state. A slow and steady start of the program, as initially envisioned to allow time for investment and permitting, will preserve California jobs and minimize imports of intermediates and finished products.

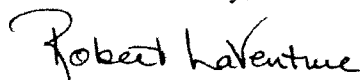
As we stated in our July 28, 2011 letter to Chairman Mary Nichols, we believe that the creation of new jobs will partly depend on the effective implementation of the law for the oil industry, where implementation of regulations don't allow leakage by creating a loophole for imported products that will replace or change volumes of California manufactured products. Policies favoring imports from other states or countries that have done little or nothing to regulate greenhouse gas emissions hurts our members and does not help the overall environment as it relates to greenhouse gases. Don't invite a flood of new imported product into California that will compete at reduced costs and will place our members out of work. As we stated previously, we are particularly concerned about "leakage" in the petroleum refining industry which is known to be trade exposed. CARB must protect California refineries from imports that will result from a poorly designed in-state Cap and Trade Program. If CARB fails, the result will be a severe loss of California jobs and failure to reach our collective goal of greenhouse gas emission reduction.

USW requests that CARB more carefully protect against trade exposure. Petroleum refineries will comply with reductions through energy efficiency investments. This can only happen if there is a level playing field with in-state refining because imports currently do not, and should not be invited to play a role in California's manufacturing sector. CARB must not pick and choose winners and losers in the first year of the program because no company has had time to prepare for reductions.

Today, we ask CARB for three important deliverables:

- 1) Eliminate the 10% allowance take away from certain California refineries in the early years;
- 2) Revise classification and timelines for the downstream refining sector, from medium trade exposure to high trade exposure. Such action is consistent with upstream exploration and production currently classified as high trade exposure.
- 3) Close the import loophole and associated leakage by providing a slow start and level playing field for California refineries in the Cap and Trade Program. Protect in-state refineries from unfair competition from refineries in other states and nations outside CARB's enforcement jurisdiction.

Sincerely,

A handwritten signature in black ink that reads "Robert LaVenture". The signature is written in a cursive, flowing style.

United Steel Workers (USW)